

## Message Text

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ACTION AF-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01

INR-10 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06

SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07

CEA-01 DODE-00 PA-02 AGRE-00 INT-05 DOTE-00 OES-07

EA-12 OTPE-00 BIB-01 HUD-02 EUR-12 /137 W

-----040208 260213Z /61

R 241635Z FEB 78

FM AMEMBASSY NOUAKCHOTT

TO SECSTATE WASHDC 8992

UNCLAS NOUAKCHOTT 482

E.O. 11652: N/A

TAGS: EINV, EIND, EFIN, MR

SUBJ: INVESTMENT CLIMATE STATEMENT

REF: A) 77 STATE 244738, B) NOUAKCHOTT 255

1. THE FOLLOWING IS AN UPDATE OF INFORMATION CONTAINED IN FOREIGN ECONOMIC TRENDS AND THEIR IMPLICATIONS FOR THE UNITED STATES, NO. 77-109, AUGUST 1977-MAURITANIA:

2. GENERAL GOVERNMENT ATTITUDE TOWARD PRIVATE INVESTMENT. MAURITANIAN POLICIES WHICH PREVIOUSLY ATTEMPTED TO LIMIT AND CONTROL FOREIGN INVESTMENT ARE UNDERGOING MARKED CHANGE AS RESULT OF RECENT PRESIDENTIAL DECISION TO HALT INCREASINGLY FREQUENT AND INVARIABLE UNSUCCESSFUL GOVERNMENT INCURSIONS INTO ECONOMIC SECTOR AND ALLOW AN "OPENING" OF ECONOMY. PRESIDENT OULD DADDAH HAS CANDIDLY ADMITTED THAT LACK OF FINANCIAL RESOURCES AND COMPETENT BUREAUCRATS HAS PREVENTED SMOOTH FUNCTIONING OF PUBLIC ENTERPRISES. THE GOVERNMENT OF MAURITANIA IS OPENLY COURTING FOREIGN INVESTMENT, PUBLIC OR PRIVATE, IN SO-CALLED MIXED CORPORATIONS. FULL-TIME ADMINISTRATIVE (I.E., GOVERNMENT) COUNSELOR POSTS IN THE VARIOUS PUBLIC ENTERPRISES AND STATE-BUSINESSES WERE ALSO ABOLISHED. WE UNDERSTAND THAT NEW INVESTMENT CODE, INCORPORATING THIS

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CONCEPT, HAS BEEN DRAFTED BUT PUBLICATION HAS BEEN WITHHELD UNTIL EXPERIENCE CAN BE GAINED ON BASIS OF PROPOSITIONS ACTUALLY RECEIVED. (SENIOR MAURITANIAN OFFICIALS HAVE TOLD EMBASSY OFFICERS THAT ANY REASONABLE INVESTMENT PROPOSALS WOULD BE CONSIDERED). WE DO NOT EXPECT ANY RADICAL CHANGES IN INVESTMENT CODE OR LIBERALIZATION OF TRADE REGULATIONS, BUT ANTICIPATE GRADUAL SHIFT TOWARD FREE ENTERPRISE WITH MIXED FIRM/PRIVATE SECTOR FINANCING

(INCLUDING FOREIGN) WITHIN EXISTING FRAMEWORK.

3. ECONOMIC FACTORS . THE SOMEWHAT DISMAL ECONOMIC OUTLOOK CAUSED BY COMBINATION OF WAR, DECLINING INTERNATIONAL IRON ORE PRICES, INFLATION AND DROUGHT HAS BEEN BRIGHTENED BY ANNOUNCEMENT JANUARY 26, 1978 OF APPROVAL BY WORLD BANK AND VARIOUS DONORS OYN#FOSMILLITBSIS EXTERNAL CREDIT FOR GUELBS PROJECT. IN ADDITION TO THIS MUCH NEEDED CREDIT, SOCIETE NATIONALE INDUSTRIELLE ET MINIERE (SNIM'S) PARTIAL RETURN TO PRIVATE SECTOR WILL PROVIDE MUCH-NEEDED ADDITIONAL CAPITAL FOR DEVELOPMENT. INDICATIONS ARE THAT FOREIGN OWNERSHIP OF SNIM, BOTH PUBLIC AND PRIVATE UP TO 40 PERCENT, BEING INVITED AND THAT SPECIFIC PROPOSALS HAVE ALREADY BEEN RECEIVED FROM CERTAIN ARAB FINANCIAL INSTITUTIONS. WHILE ECONOMY IS SOMEWHAT NARROWLY BASES (IRON ORE IS VARIOUSLY ESTIMATED AT 80 PERCENT - 85 PERCENT OF EXPORTS BY VALUE), SUPPLY OF LOWER GRADE

GUELBS ORE PROJECTED TO YEAR 2000. EXPORTS OF SECOND LARGEST FOREIGN EXCHANGE EARNER, FISH, EXPECTED TO INCREASE AS WATERS OFF MAURTANIAN COAST REPUTED TO BE AMONG RICHEST IN WORLD ARE EXPLOITED MORE FULLY. TRANSPORTATION AND COMMUNICATIONS INFRASTRUCTURE ARE AMONG WEAKEST IN AFRICA, BUT BEING RAPIDLY IMPROVED. THE NOUAKCHOTT-NEMA EAST-WEST ROAD PROJECT IS WELL AHEAD OF SCHEDULE AND A SATELLITE BASED SYSTEM OF COMMUNICATIONS IS NOW BEING COMPETETIVELY BID. AN ACCESS ROAD IS BEING BULT PRELIMINARY TO THE CONSTRUCTION (BY CHINESE) OF A DEEP WATER PORT IN NOUAKCHOTT. THIS PROJECT UNCLASSIFIED

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WILL TAKE SEVERAL YEARS BECAUSE THERE IS NO NATURAL HARBOR AND SEAWALLS WILL PROBABLY BE REQUIRED.

4. ECONOMY CANNOT BY ANY STRETCH OF IMAGINATION BE CONSIDERED ATTACTIVE IN TERMS OF LONG-TERM CAPITALINVESTMENT, BUT WE CONSIDER IT AN IMPROVING MARKET FOR U.S. FIRMS WISHING TO SELL HARDWARE, SOFTWARE OR TECHNICAL ADVICE. SECTORS THAT SEEM MOST PROMISING INCLUDE LOW COST HOUSING, FISHING, AS WELL AS EXTENSIVE PURCHASES TO BE MADE IN EXPANDING IRON ORE EXPORT FACILITIES.

5. FINANCIAL INCENTIVES AND DISINCENTIVES. THE WITHDRAWAL FROM THE FRANC ZONE IN 1973 AND ESTABLISHMENT OF ITS OWN NON- CONVERTIBLE CURRENCY, OUGUIYA, HAS NECESSITATED STRICT CURRENCY CONTROLS WHICH HAS CAUSED SOME CONVERSION PROBLEMS. MAURITANIA IS MEMBER OF COMMUNAUTE ECONOMIQUE DE L'AFRIQUE OCCIDENTALE (CEAO) WHICH EXEMPT MEMBER NATION FROM CUSTOMS DUTIES, AND A SIGNATORY OF LOME CONVENTION WHICH CALLS FOR PREFERENTIAL TREATMENT OF EXPORTS FROM MEMBER AFRICAN NATIONS INTO EEC. KRYZA

NOTE BY OC/T: PARAGRAPH 3 #AS RECEIVED.

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